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Editorial Notes.

Report on Rural Indebtedness.

The Report of Mr. W.R.S. Sathianathan, I.C.S., on Agricultural Indebtedness in this Province and the ways of affording relief to the debtors is a very interesting document. Mr. Sathianathan has analysed the causes of indebtedness, has estimated its volume and the effect of the economic depression upon it, and has suggested legislative remedies such as the constitution of Debt Conciliation Boards, the regulation of the accounts of money-lenders, their compulsory registration, the adoption of the principle of *Damduput* etc He has estimated the indebtedness at Rs. 200 crores and the average annual income of an agriculturist at Rs. 15 which includes Rs. 3 to Rs. 4 from other sources than produce from land. We guess this will come as a great surprise to many students of economics, who will no doubt examine carefully the data on which Mr. Sathianathan has based his calculations. One result of the recommendations contained in his report is that the Legislative Council is proceeding with the consideration of Diwan Bahadur T. A. Ramalingam Chettiar's Debt Conciliation Bill, and under the Agriculturists Loans Act, Government have resolved to issue loans up to a certain aggregate amount for the clearance of debts in two revenue divisions, one in Chingleput and one in East Godavari.

Objectionable References.

Mr. Sathianathan however has not chosen to confine himself to the terms of reference, but has gone further and made recommendations for the better working of the different Departments concerned with the welfare of the agriculturist. He has dealt at considerable length with the working of co-operative societies in the Province. Having had in hand a wide subject to deal with, we wish he had let alone such an important subject as the co-operative movement, for a study of which he had neither time nor facilities. With a degree of confidence which is commonly described as characteristic of the I.C.S. mind, he has made sweeping statements and off-hand recommendations which weighty committees after months of enquiry would have hesitated to make. Particularly objectionable is the tone of his references to the non-official leaders of the co-operative movement. For instance, in one place he says: 'I am told, and what I have seen clearly indicates, that there is a school of non-official co-operators, which stands for de-officialization and exercises a dominating voice in the affairs of this movement. There is a disinclination to offend this body by word or deed, and many are unwilling openly to question its views, though ready enough to criticize in confidence. Such reluctance to offend has, I fear, led to much "whitewashing" of the defects of the movement.' We do not know to whom Mr. Sathianathan refers by this 'school of non-official co-operators.' So far as de-officialisation is concerned, it has been the declared policy of the Government from the very inauguration of the movement itself—progressive de-officialisation in proportion as the movement grows able to stand on its own legs. There is not much difference of opinion on this question of de-officialisation among non-officials for there being a 'school' in one quarter. Nor are we aware of much difference of opinion between the Department and the non-officials. Mr. Sathianathan has referred to the 'whitewashing' of the defects of the movement. When and by whom was it done? To be sure, he does not mean that the Registrar of Co-operative Societies, out of fear of this group of non-officials, who favour de-officialisation, has been hiding the defects of the movement from the Government and the public? Everywhere, in our newspapers, journals, conferences etc., the defects are exposed and not 'white-washed'.

De-officialisation.

Mr. Sathianathan of course does not favour de-officialisation. On the other hand, he has strongly recommended that the

supervision of co-operative societies should be entirely in official hands. He says, " As long, therefore, as supervision is allowed to run its present fatuous and irresponsible course, there can be no hope for the co-operative movement. The only feasible remedy seems to me to be the transfer of the entire work of supervision to the Co-operative department." The subject of supervision has received careful treatment at the hands of the various Committees on Co-operation appointed from time to time by different Governments and States. None has, so far as we are aware, recommended that it should be vested in the department. The Maclagan Committee so far back as 1915 said, "These functions (supervision) should, in our opinion rightly devolve on the co-operative institutions themselves" and went on to say:

> "In whatever way the staff is organised it is for the societies or their Unions or Central Banks to see that a sufficient and efficient staff is maintained to carry out their duties, and the Registrar, though watching through the auditing staff how far societies do really attain to efficiency, and thereby keeping a check on supervisional work, should not himself unnecessarily interfere with it. For supervision the strength of the staff will depend on local conditions and on the extent to which honorary workers are available. The staff will not be under the orders of the Registrar or his auditors, and its reports will be submitted to the body which maintains it, and will not necessarily go on to the Registrar."

In pursuance of this recommendation it was, that supervising unions came to be organised in various parts of the country, and more thoroughly in this province than elsewhere.

The Townsend Committee, which reported in 1928, was more definitely in favour of supervision being in the hands of Unions. "Unions, formed and controlled by the societies themselves, provide the ideal organizations for this purpose (supervision)." This opinion was based not only on their own observation but also upon the evidence received by them. "The evidence we received, including that from most of the banks themselves, was strongly in favour of vesting the duty in Unions, as at present." Thus the policy pursued by the Government in respect of supervision has not been dictated by fear of an unnamed 'school of non-officials' who favoured de-officialisation but by weighty Committees consisting of experienced officials and non-officials.

Supervising Unions.

The continuance or discontinuance of Unions and the possible provision of supervision by agencies other than Unions, has been engaging the attention of co-operators in this Province—and also of Bombay—for some years. But the department and non-offcial bodies in this province are agreed in thinking that Unions as a class must remain, though inefficient ones may be dissolved and amalgamations may be effected for improving their efficiency. Perhaps Mr. Sathianathan does not know that official supervision does prevail even now in the case of depressed classes societies. But their condition is not better than that of other societies and therefore many of them are being brought under supervising unions. Attempts have also been made here and there to rectify societies and improve them without the intervention of supervising unions. But the results have not been encouraging.

Mr. Sathianathan has made some other recommendations with a view to tighten the control of the department over the societies. Among them are that the Registrar should be empowered to issue surcharge orders in respect of negligence or irregular expenditure, as he is now empowered to do in case of fraudulent breach of trust, and that the Registrar should be empowered to punish a member of a society with a fine for wilful disobedience of the Act, without prosecuting him before a Magistrate etc. The only comment we need make on these recommendations is that Mr. Sathianathan has not grasped either the spirit or the purpose of the co-operative movement.

His report would not have lost any of its value but on the other hand would have gained in weight, if he had not wandered into the realm of co-operation without a reliable guide in the absence of previous experience or preparation.

Dr. Fay's Speeches.

The co-operators of Mysore should be congratulated on having been able to get Dr. C.R. Fay, Chairman of the Horace Plunkett Foundation, to open their last Provincial Co-operative Conference, the proceedings of which are published in this issue. He broke his journey in India on his way to Australia and visited Hyderabad, Mysore and Coorg. Illness prevented him from responding to our invitation to visit Madras, where doubtless he would have been glad to visit the Triplicane Stores and give the local co-operators an

opportunity to meet him. The speeches he made at Mysore and Mercara are published in this issue and we are sure they will be read with the utmost interest.

In his Mysore speech he declared that the factors essential for the success of a store society were loyalty, shrewdness and determination on the part of the members and that their poverty was not a formidable barrier. Of these three factors we should think that lack of shrewdness in a broad sense has been the most common cause of the failure of stores in our country. "If you buy wrong stuffs or employ a salesman who is crooked or incompetent you disgust your members and they leave." This is what has been happening in most places. Dr. Fay's condemnation of credit sales was particularly to point in Mysore where, unlike in Madras, credit sales to members are the prevailing practice. "If wage-earners are in debt" he said, "it is not necessity but their own deliberate and foolish extravagance which keeps them in debt all their lives. That was what the poor co-operators of England and Scotland found a century ago." The statement is applicable with greater force to South India, as the vast majority of the members of consumers' societies here are not wage-earners but educated salary-earners to whom it should be easier to make cash purchases. Regarding our wasteful expenditure on ceremonials he said, "To speak quite frankly, the extravagance of Indian men and women in social ceremonials, in dowry, in the size of the family itself, bewilders the students and working people of England." Our credit societies have only aggravated this extravagance in us by providing greater and greater facilities for borrowing. In theory we have recognised the importance of thrift as an object of co-operation. Its promotion is included in the objects of every society. In practice it is found only in a few special types of societies like the better living societies of the Punjab. As Dr. Fay said, unless we get rid of this extravagance no co-operative movement that is really worth while can arise in our towns, and if it does not arise in our towns it cannot arise in our villages.

Speaking of village credit societies Dr. Fay observed that the financing of societies by deposits and borrowings drawn from persons or bodies higher in wealth and social status than the borrowers, cut at the essence of co-operation. He thus objects on principle to rural societies being financed by central banks which get their deposits from the surplus income of the urban population. He does not,

however, object to land mortgage banks being financed from outside sources, including the Government. "I can see no better way of using such a loan than to pay off a debt incurred at a higher rate," said he. The argument applies with equal, if not greater, force to the member of the village society. His being financed from an outside source may make him theoretically a less than 100 per cent cooperator, but in his present indebted condition, when he is obliged to pay a very high rate of interest on borrowings and when he makes practically no savings from his calling, he would be unable to make any economic progress whatever if he were not helped by outside finance.

At Mercara in Coorg, where the cultivation of oranges is an important industry, Dr. Fay exhorted his hearers to emulate the citrus growers of California in organising themselves into a co-operative association for the growing and marketing of oranges. We hope this suggestion will be acted upon in the near future, as the planters of Coorg are among the most advanced of Indian communities and are a very homogeneous class.

The Mysore Conference.

In his presidential address at the Mysore Provincial Co-operative Conference, Mr. A. Krishna Rao drew pointed attention to some serious defects in the working of urban banks, the prevalence of which is not confined to the institutions in Mysore State. One of such defects is the frequent overriding by the general body of the decisions of the managing committee, though the latter may have taken such decisions in exercise of the powers entrusted to it by the by-laws of the society. This is due to the powers of the general body being quite undefined in the by-laws. Such overriding becomes a tyrannical interference with the executive and destroys the latter's sense of responsibility, besides being often ill-advised. Mr. Krishna Rao has therefore suggested that the powers of the general body should be properly defined, either by the by-laws of the societies or by the rules framed by the Government under the Act. This is a suggestion well worth considering. Another defect pointed out by him is that a person becomes a member of several societies and borrows freely from all of them, often up to the limit permitted by each of them, thus practising not thrift but the very opposite of that virtue. The prevalence of this evil was recognised in Madras some years ago, and now the rules framed under the Act prevent a person

from being a member of two credit societies. Rule XX runs as follows:

"No person being a member of a credit society, except a land mortgage bank or a financing bank, shall be a member of any other credit society without the general or special sanction of the Registrar; and where a person has become a member of two such credit societies, either or both of the societies shall be bound to remove him from membership upon a written requisition from the Registrar to that effect."

We should recommend the adoption of a similar rule by all provinces and States. Mr. Krishna Rao also suggested that it was time that small urban societies, organised either on the basis of streets and wards of towns or on that of communities, were discouraged. The principles on which urban banks rested were different, he said, from those of rural societies, and it was not good that the latter should be prescribed for the former in the mistaken belief of their being the only true co-operative principles. Certainly it is difficult for small urban societies to be efficient, and as for communal societies, the sooner they disappear from our land the better will it be for society at large. Mr. Krishna Rao's suggestion that every member of an urban society should be compelled to subscribe to the provident fund was accepted by the Conference, which resolved further that societies should be prohibited from granting loans on the security of that fund. In giving effect to this resolution care will however have to be taken to see that members will not be driven to terminate their membership of the society solely for getting control of the fund. Adequate propaganda regarding the object of the fund would have to be conducted. One other excellent suggestion made by Mr. Krishna Rao was that co-operative building societies, instead of giving loans to their members for the purpose of building houses, should themselves build houses of standard designs and make them available for members on suitable terms either for sale or for occupation. Under the present system it too often happens that a member builds a house which is far beyond his means, is unable to pay the instalments and finally loses the house itself.

Some Resolutions.

While most of the resolutions passed at the Conference are unexceptionable and well-advised, we confess we are doubtful regarding a few of them. One resolution postulates that land mortgage

banks should issue short term loans for current agricultural operations, fixing the sum of Rs. 250 as the maximum individual limit for such loans. Just as it is undesirable for an ordinary rural credit society to give both short and long term loans to its members, so it is undesirable for a land mortgage bank to issue both long and short term loans. We hope that in Mysore one who a member of a land mortgage bank is not prohibited from being also a member of an ordinary credit society. The two kinds of institutions should be considered supplementary and not mutually exclusive. Another resolution lays down "that the present practice of recovering interest on loans in advance should be limited to a period not exceeding 6 months." We are very much surprised that the practice of collecting interest in advance is at all prevalent in Mysore societies. It certainly is not equitable and unheard of in this province. Instead of fixing six months as the maximum period for which the interest may be collected in advance, the resolution ought to have condemned the practice outright. Another resolution has asked the Government to exempt co-operative societies from the levy of certain fees, duties and taxes. We admit that we are not yet strong enough to dispense with every form of assistance from the State; but we should like that as far as possible the assistance from the State not to take the form of exemption from taxes, irrespective of the capacity of societies to bear them but some other suitable form such as subsidies or services.

Supersession of Central Banks.

We wish to draw the attention of our readers and of the members of the Legislative Council in particular to the article published in this number on the 'Supersession of Co-operative Central Banks' by Mr. V. Ramadas Pantulu. It is a dignified protest against the substance of the Bill to amend the Co-operative Societies Act and the manner in which it was passed recently by the Legislative Council. As Mr. Pantulu has pointed out, neither the Provincial Bank nor any Central Bank was consulted whether the change from 'concurrence' to 'consultation' was agreeable to or desired by either of them. Diwan Bahadur T. A. Ramalingam Chettiyar alone suggested in the Council that this amendment to the Act was premature and uncalled for. But the House which was obviously too preoccupied with other matters to appreciate properly the implications of this Bill quietly allowed it—because it was a Government Bill—to be passed at a single sitting. Objection should be taken even more to the manner in which this piece of legislation has been passed than to its substance which has been well explained by Mr. Pantulu.

Supersession of Co-operative Central Banks.

Amendment of the Madras Co-operative Societies Act (VI of 1932)

BY MR. V. RAMADAS PANTULU

The following notification has appeared in the issue of the Fort St. George Gazette, dated 29th October 1935:—

Bill No. 21 of 1935

"Whereas it is expedient further to amend the Madras Co-operative Societies Act, 1932, for the purpose hereinafter appearing, it is hereby enacted as follows:—

1. This Act may be called the Madras Co-operative Societies (Amendment) Act, 1935.

2. For sub-section (5) of section 43 of the Madras Co-operative Societies Act, 1932, the following sub-section shall be substituted, namely:—

> '(5) Before taking any action under sub-section (i) in respect of a financing Bank or in respect of a Society indebted to a financing Bank, the Registrar shall consult in the former case the Madras Provincial Co-operative Bank, and in the latter case the financing bank concerned, regarding such action.'

Statement of Objects and Reasons

Under clause (ii) of sub-section (5) of section 43 of the Madras Co-operative Societies Act, 1932 (Madras Act VI of 1932), the Registrar has to obtain the previous concurrence of the Madras Provincial Co-operative Bank before superseding the Committee of a financing bank. As the executive committee of the Provincial Bank is largely composed of the representatives of the financing banks, there is considerable delay in getting such concurrence. Further, a financing bank need not necessarily be affiliated to the Provincial Bank. In such cases, there is obviously no need to obtain the concurrence of the Provincial Bank. The object of this Bill is to substitute the requirement of consultation with the Provincial Bank for its previous concurrence."

The Bill was taken up as an urgent measure by the Council on the 2nd November and passed into Law almost without any discussion. Neither the Madras Provincial Co-operative Union nor the Madras Provincial Co-operative Bank was consulted about the Bill and much less the financing banks. The existing provision in the Act requiring the concurrence of the Provincial Bank for the supersession of a Central Bank was inserted in the Madras Act VI of 1932 on

an official amendment moved by the Government's spokesmen in the Council, though in the Bill as passed by the Select Committee, only the word, "consultation" occurred. The change made in the Council at the instance of the Government was the result of the discussions between the then Registrar and myself and a full consideration of all the implications of the question by the Government. Nothing seems to have occurred between then and now to justify the amendment now proposed; and there does not appear to be any conceivable reasons for rushing the Bill in this manner, without even caring to ascertain co-operative opinion thereon.

The main reason given in support of the proposed amendment is that there has been "considerable delay in getting the concurrence" of the Provincial Bank for the supersession of central banks. The charge of delay levelled against the Provincial Bank is wholly unfounded. So far, the committee of only one Central Bank—the Hospet (Bellary) Co-operative Central Bank—has been superseded and there was no avoidable delay in the Provincial Bank giving its concurrence to the supersession of its committee, after the Registrar had placed the relevant facts before the Executive Committee of the Provincial Bank. The only other requisition from the Registrar, for the supersession of the committee of a Central Bank, that came to the Provincial Bank was in regard to the Guntur District Co-operative Central Bank. Strong representations were received from the Central Bank concerned against the proposal for supersession and the Provincial Bank had to consider them and call for necessary explanations, specially as no adverse allegations regarding its financial condition were made against the central bank, and the main charge related to internal dissensions and factions in the directorate. Ultimately the Executive Committee requested the Registrar to give a further chance to the Bank to set right matters and to postpone action for about six months, which will expire about the end of this year, and to take such action thereafter as he may consider fit, under section 43, without the necessity of again approaching the Provincial Bank. Thus the statement that there has been considerable delay in obtaining the concurrence of the Provincial Bank is not at all correct. An *ex parte* decision giving concurrence without due enquiry into the case and without ascertaining all relevant facts is unfair and undesirable. There was no more delay than was absolutely necessary for the purpose of enabling the Executive Committee of the Provincial Bank to give a considered opinion. But for the fact that the Legislative

Council has already passed the measure even without caring to enquire into the correctness or otherwise of the allegation made in the statement of objects and reasons, and without due notice to the public or to the institutions concerned, the Provincial Bank might have released for publication the correspondence that passed between the Registrar and the Bank in these two cases to enable the Council to judge how far the charge of delay against the Provincial Bank was well founded.

The other statement that a financing Bank "need not necessarily be affiliated to the Provincial Bank," *if it is intended to apply to a Central Bank financed by the Provincial Bank and which is affiliated to the latter at the time of supersession*, is reactionary and one whose implications are far reaching. The present structure of the Madras Provincial Co-operative Bank is the result of a definite policy pursued both by the officials and non-officials in the past of integrating all the central banks into a federal apex organisation of their own. This new doctrine enunciated in support of the bill is subversive of all sound principles of co-operative finance and is in violent conflict with the scheme upon which the Madras Provincial Co-operative Bank has been built up.

The supersession of a central bank against the wishes of the Provincial Bank will lead to grave inconveniences and serious anomalies, which must be obvious to any one who knows the working of our Credit Movement. The superseded Central Bank in charge of a manager appointed by the Registrar will, unless disaffliated from the Provincial Bank in the wake of the supersession order or unless the Government directly finances it, still have to depend on the Provincial Bank for finance. If depositors want back their money or the societies affiliated to the central bank require fresh finance, the Provincial Bank will have to advance funds at the instance of the manager who is put in sole charge of the Bank and whose indents for further loans from the Provincial Bank the Registrar will pass on in the usual course of business. The way in which the Registrar discharges his responsibility towards a superseded Central Bank may be judged from the fact that the dictator appointed for the Hospet Central Bank is a *Junior Inspector* of the department. "Consultation" before supersession will be an idle formality. The Registrar will rarely ask the Provincial Bank before he has made up his mind to supersede the committee of a Central Bank. The Provincial Bank is sure to be overruled on every occasion when it objects to supersession. The Provincial Bank will, in my opinion, be stultifying itself by giving its opinion on such so-called consultation.

The absence of a similar provision for the "concurrence" of the Provincial Bank in regard to the liquidation of a Central Bank affiliated to and financed by the former does not furnish an analogy. Properly speaking, there ought to be a similar provision in regard to that also. In any case, the two are not analogous. Liquidation can

be ordered only on definitely specified grounds and after an open statutory enquiry, and an appeal lies against an order of liquidation. None of these safeguards exists in the case of supersession. The Registrar is the sole judge whether the Committee of a Central Bank is "functioning properly" and the only protection that Central Banks now enjoy against hasty or arbitrary exercise of the wide and unrestricted powers under section 43 is the "previous concurrence" of the Provincial Bank. It is this protection that the Bill removes. The Minister's plea that the executive head of the Department may be implicitly trusted to use such unrestricted powers wisely and fairly and cases of misuse if any, may be brought to the notice of the Legislature, is too stale a bureaucratic plea to require fresh refutation.

Moreover, on liquidation the membership of the Central Bank in the Provincial Bank automatically ceases and the depositors and member societies of the Central Bank look to the liquidator alone. In fact, the Provincial Bank too has to look to the liquidator alone for the realisation of its dues from the Central Bank. If the Government contemplate that a Central Bank whose Committee is superseded against the wishes of the Provincial Bank, need have no further financial relations with the Provincial Bank, as the Government's argument in support of the proposed amendment that a Financing Bank need not necessarily be affiliated to the Provincial Bank seems to indicate, then the Government is extremely ill advised and has evidently overlooked the obvious difficulties that will arise in regard to the financing of Central Banks so dealt with.

The real reason at the back of the Government's amendment seems to be one of official prestige and nothing else, unless it has some connection with the desire of the Ministers to arm themselves with new powers to be used in the ensuing elections under the new Constitution. With the Provincial Bank, however, it is not a question of prestige or politics but a real financial problem which arises from the necessity to lend funds to Central Banks without even a Committee to manage them and in charge of Junior Inspectors of the department as in the case of the Hospet example.

Attempts of the co operators in this Province to establish the closest and most efficient business relations between the Provincial Bank and the Central Banks will be frustrated by this most retrograde measure. Moreover, the dependence of the Central Banks on the local departmental officials will become much greater, for it is on their recommendation that the Registrar usually acts, and the freedom of the co-operative organisations to shape their own policies in the interests of the Movement in their areas will thereby be greatly impaired and the last vestige of so-called independence of co-operative institutions to manage their own affairs will be wiped out. I am sure that the number of the few non-officials of influence and position, who are still in the movement, will become still less, with measures like these and the spirit underlying them.

The State and Rural Uplift

BY K. G. SIVASWAMY, B.A.

Planned Economy

If the condition of the ryot is to be improved in his surroundings, reform should come not piecemeal through several departments but as an organic whole by the combination of various departments working under a central authority. The central authority should supply the necessary drive and be the dynamo from which a new energy is generated to reach the villages. The Royal Commission on Agriculture cannot be said to have emphasised this point too much, when they put the whole responsibility on the Government to frame a co-ordinated and combined policy in this respect. In Madras effect was given to this recommendation of the Royal Commission by issuing a Government order to form a Development Board in each district under the presidency of the Collector. Nothing has been achieved beyond that order. It is doubtful whether the appointment of a special officer to co-ordinate the work of the various departments will be of much use. What is really required is the formation of an annual programe by all the heads of departments in full consultation and a periodical review of the progress for each quarter. Much depends upon the personality of the officers. Departments have a natural tendency to run into mechanical grooves and to look to the satisfaction of regulations rather than the achievement of their purpose.

Unification of the Rural Staff.

Secondly, Government should see to what extent the work of the Co-operative, Agricultural and Industries departments could be combined for the purpose of economic uplift. While on the one hand, research, audit, higher industrial education and assistance to large scale industries should be kept separate under different departments, Government should see whether propaganda, organisation and education in respect of agriculture and cottage industries could not be left in the hands of the district officers, thus avoiding the need for more than one development officer in each district. Such an officer will supervise co-operative societies, be responsible for the spread of agricultural improvements and the promotion of cottage industries, organise marketing and run classes of instruction for boys

and adults in all matters relating to the economic advancement of the village. It should also be possible for the officer to take the assistance of the non-official staff working under the co-operative societies. In this manner the services of the Agricultural Demonstrators and Co-operative Inspectors appointed to do work other than audit, and the Supervisors working under Co-operative Central Banks would be available for carrying out an intensive programme of agricultural and industrial improvements. The other aspect of village work relates to better living. This is at present under the charge of the Health Department. To some extent the engineering staff under Local Bodies are also helpful, as they make the estimates and supervise the works of village panchayats. Those works are mostly roads, wells, repairs of tanks and school buildings which do not require an advanced knowledge of engineering for preparing estimates or for carrying them out. The activities of the Village Panchayats relate to sanitation and public health. It will therefore be useful to have a single staff trained in public health making minor estimates, supervising village work and being made responsible for the proper administration of village panchayats. The separate audit staff of the co-operative societies may also audit the accounts of the village panchayats, thus acting as a check on the activities of the Panchayat Supervisors. At present the Health Inspectors have no educative work in respect of raising village contributions to the extent of half the amount either in cash or as communal labour for streets, wells, roads, drains, bore-hole latrines and other improvements. Experience in Madras and Mysore has shown that panchayats do the work at half the cost of what is spent by the district boards and the Public Works Department. If a proper utilisation of the existing staff in the several departments is to be made in the manner above indicated, it is necessary that they should get sufficient training in rural reconstruction activities both economic and civic.

Economic Holdings.

We will now deal with the immediate items of legislation that are required to help rural uplift activities. The first problem that suggests itself for solution is the uneconomic nature of holdings. The holdings become too small for the maintenance of a family, firstly by sub-division among the holders and secondly by the holdings being scattered. It should be possible to start with permissive legislation requiring as in the Central Provinces that a scheme of consolidation should be binding on the owners, if one half of them holding two

thirds of the occupied area, agree to such a scheme. Compulsion should be enforced only as a last resort and every effort should be made to persuade the parties to agree voluntarily. The Royal Commission on Agriculture have suggested the experiment to be conducted in special areas. When once the results are encouraging, they hope it will spread to all the parts in the country. As regards the evil of fragmentation, this can be easily remedied by mutual exchange of lands, and here also legislation will be necessary to coerce the minority where the majority agree to exchange their lands and thus consolidate their plots.

Land Settlements and Collective Farms.

The next problem to consider is whether sufficient land exists in the country to be parcelled out to the landless classes in villages, and whether such a reform is possible only by taking over the lands of the bigger landlords who allow them to lie fallow, and by paying them compensation.

Experience in Madras shows that land settlements hardly succeed unless other facilities are also granted along with the grant of lands. In the first place the right sort of settlers have to be picked out and an initial gift of money given to start them in life. Secondly, land improvement loans should be made available for the reclamation of lands and the digging of wells. Thirdly, the Local Boards should come forward to provide drinking water, and give facilities for the construction of huts and sheds to house the cultivators and their cattle. Agricultural loans should also be issued for cultivation purposes. Finally, there should be provision for the proper marketing of the produce. It is possible in channel areas where new villages are being formed, to plant a model colony which will be an example of better living and better farming.

State Farms and Employment Works.

Besides these small settlements, it is equally necessary that the State should undertake large scale cultivation by reclaiming large areas and raising crops under mechanised methods of production. Capital and labour are not now allowed to move freely from one country to another for purposes of exploitation as was prevalent some years back. Each country is today following a policy of national self-sufficiency. Apart from the policy of tarrifs for increasing national production, governments in the West have embarked upon large

policies of planned economy in respect of reclamation of lands and public works not only with a view to increasing production, but for giving work to the large unemployed population in industrial towns. It is noteworthy that in the State of Mysore a large programme of improvement in sugar cane cultivation is being put through in the Irwin Canal area. But more could be done on similar lines for large scale production and at the same time work provided for a very large number of unemployed rural labourers.

Irrigation.

One important measure of irrigation suggests itself in relation to this subject of land development. There are large areas over which the rain water rushes to waste and it should be possible to conserve it by a regulation of the surface water and the construction of small tanks and bunds. These works might possibly be undertaken by the ryots themselves through co-operative irrigation societies. But they require a special agency to investigate such schemes, to promote and execute them either directly or as joint undertakings of the ryots. The Royal Agricultural Commission have recommended the starting of a special branch for this purpose under the Irrigation Department.

Debt Relief Legislation.

Measures of legislation are equally necessary to relieve the heavy indebtedness on the land. Even at a time when the condition of the agriculturists was better than at present, the Royal Commission on Agriculture recommended a number of measures for relieving indebtedness. They reported that the existence of debts which could not be redeemed under any circumstances was a great drawback to agricultural progress. They recommended for the consideration of Provincial Governments a simple Rural Insolvency Act and the formation of conciliation boards which should liquidate the debts of all classes of debtors, owing even small amounts, who cannot repay their debts from their surplus income in a period of fifteen years. They have further expressed the view that mortgages should be made terminable within a period of twenty years and suggested a Money Lender's Act which should enforce the proper keeping of accounts and provide for the licensing of money-lenders and a stricter application of the Usurious Loans Act. They even go so far as to say that rural uplift workers should educate the debtors that the son is not legally bound to pay the debts of the

father due on promissory notes. They conclude "that just as creditors have the right to insist that all the debtors' assets should be impounded and applied towards payment of debts, so also the debtor who has given up his debts should have the clear right to be allowed to earn his living if he can and be free to make a new start in life."

A new Co-operative Policy.

The legislative and administrative reforms should be supplemented by a proper organisation of the ryots for raising credit, making joint purchases and marketing the produce. Village co-operative societies have no good record of efficient service for all classes of population and where they are not serviceable, they should be replaced by the larger unit of the branch of a Central Bank. Such branches should employ trained inspectors of a high class for distributing credit, promoting savings, supplying goods and taking charge of the produce. Government should also sanction loans to co-operative societies and private merchants to build warehouses in market centres where the ryots may deposit their produce for sale and the receipt thereof will be available as an instrument of credit for raising ready money in the market. When once the officer responsible for co-operative administration has also to shoulder responsibility for agricultural propaganda, the co-operative organisation will really serve the purpose for which it is intended, namely, credit for agriculture, supply of agricultural requisites, sale of produce and promotion of subsidiary industries and savings. It is a matter for regret that the propaganda section of the Agricultural department has not kept pace with the research section in the matter of popularising improved seeds. The Land Mortgage Banks too should take up the work of assisting in the improvement of land, instead of confining their attention as at present to the liquidation of prior debts.

State promotion of Agricultural and Cottage Industries.

Until rural industries reach a stage of being organised by skilled workmen who get trained in factories and large scale undertakings, the State will have to shoulder the responsibility in this matter. The Royal Commission on Agriculture have mentioned various possibilities of new industries such as introducing better and new patterns in weaving, pottery, lac, carpentry, silk weaving, cotton and ginning mills, and agricultural industries for converting raw produce into marketable ones such as the decortication of groundnut, the making of jaggery and the crushing of oil seeds. More

possibilities also exist near towns for growing vegetables and maintaining bees and poultry. Labourers may get work also near forests. The breeding of cattle, sheep and pigs will give additional income. The provision of better village amenities may give a little more work. But finally they remark that the population that could be absorbed by these methods is 'infinestesimal' and that it is only an intensification of agriculture that will employ a large number of labourers.

Labour Unions and State Aid.

Labour Unious have got great scope for progress in rural areas. They might undertake road work and silt clearance in channels, if Government and local bodies will only extend their patronage to them. In agricultural areas these labour unions will create a sense of better living, moderate the drink habit, reduce the expenditure on ceremonies, promote literacy and adult education. They may press at the start for small benefits like a minimum wage for whole time farm servants or the reduction of rentals and the raising of wages so as to enable tenants and labourers to send their children to school.

They might also undertake cultivation of lands and clearance of silt in channels. In the case of unattached labourers, it will be a great relief to them if they get at least the benefit of the hides of the carcasses which they undertake to remove. In the case of the Chuckler labourer who in some areas has to supply shoes for a nominal payment in kind, it will equally be a relief to him if this service is not compelled by the landlord. As regards all kinds of unattached labour, it is the sole responsibility of the State to devise their absorption in useful occupations.

Preference to Poor Areas.

The Royal Commission on Labour have made recommendations in the case of industrial labour which are even more needed for agricultural labourers. They have put the case for liquidation of debts in such clear and forcible terms that I quote it below. "The objection based on the sanctity of contract may have been genuine in the past; to-day it is difficult to regard it as more than an excuse. To talk of sanctity in connection with the normal contracts made between a money-lender and an illiterate industrial worker is a grave misuse of a good word. The contract in most cases is unequal and unfair from the start. It is easy for a man to contract away his labour for years

in a moment of thoughtlessness or at the call of some extravagant social demand." They recommend that insecure debts of industrial labourers in receipt of wages or salaries of a specified amount should be liquidated on the basis that the amount recovered should not exceed a three years surplus of income over expenditure and that the decrees for such amounts shall be executed within four years. They have also recommended that the present provision in the Civil Procedure Code fixing a certain salary as non-attachable for debts should be sufficiently raised as to include the industrial wage earners. They further recommend the abolition of arrest and imprisonment for debt. If these are required to save the industrial labourer who is in receipt of a monthly fixed income, they are still more necessary in the case of farm servents and the casual labourers in rural areas whose wages are subject to fluctuations in the prices of agricultural commodities and a struggling competition among themselves.

The Protection of Child Labour.

Legislation will also be necessary to protect the rights of children. The international labour convention on this matter was not ratified by the Government of India for various reasons. But, wherever facilities exist for the education of all the school-going population and the introduction of compulsion, early legislation is necessary that in such areas the employment of children under the age of 12 should be prohibited during the school hours. It is also necessary that in the interest of children the minimum age of employment and hours of work should be legally fixed with a view to prevent their exploitation by their parents and employees. Thirdly, it should be made illegal for any parent to pledge his child for labour, thus permitting him to release the boy from any employment at any time. The idea that a parent has received certain advance from a landlord and is therefore bound to keep his child under him until he repays the loan should be knocked off, and the parents should be educated that they or their children are free to leave the services even though they have taken a loan from their master.

Share Capital in Societies

By K. L. Bhandari, B.A.

The primary object of introducing the Share Capital by-law in societies seems to be the desire to create what is called owned capital, and with a view to be assured of this amount, it has been specifically stated that privileges of membership would not be allowed to be exercised by any member who has defaulted in payment of any instalment of Share Capital. This is clear in the by-laws of both limited and unlimited societies.

What is now seen however in practice is that general body meetings are held with defaulter members who have not paid their share instalments; resolutions are passed when they cannot validly take part in such proceedings, nay, even loans are granted to such members. It is being considered that such actions or procedure can be condoned as being only irregular though they are strictly opposed to the by-laws—the very foundation of agreement upon which the structure of a society is based and registered. I cannot think that the Department does not know the practical working in this direction. Auditors invariably point out in their notes, yet no steps are taken to rectify this defect. There is no doubt, that membership will dwindle, as the by-laws provide, that in such cases the share money has to be returned or penalty levied, and the member ceases to have rights in the society.

To ensure the good working of a society on right lines, the share capital by-law ought to be enforced more strictly than at present. This will entail the removal of membership in a large degree; and some societies may have to be wound up for want of even the necessary minimum membership of 10. If this by-law had been observed more strictly hitherto, neither the present extent of overdues nor the difficulty of securing efficient management in societies would have been faced.

Even now it is not too late. Rectification may be pointed in this direction as well. Shrinkage in working capital will be noticed but we have to sacrifice quantity for preserving quality. Dross has to be removed, and one has to take courage in both hands in this cleansing work.

The importance of share capital is felt by the Department; in those Central Banks where there is a clamour for return of at least part of it on the ground of over capitalisation, the Department has sternly refused to allow it.

In societies where it ought to have been collected as per by-laws, nothing is done and the by-law is ignored. This is one of the reasons why the average primary society is not what it was hoped to become, and has failed to come up to our expectations.

Shall we probe into this matter also in the cleaning process?

Dr. Fay in Mysore and Coorg.

SPEECH AT MYSORE.

Dr. Fay delivered the following address in declaring open the 22nd Mysore Provincial Co-operative Conference, the proceedings of which are published elsewhere in this number:—

"Having worked upon the problems of Co-operation for exactly thirty years, both in England, the stronghold of the consumer's movement, and in North America the stronghold of co-operative marketing, I have come now to India, in order that I may learn your problems at first hand and, if opportunity offers, give you some help in return. I am the Chairman of the Horace Plunkett Foundation which has its headquarters in London. We are to be an imperial clearing-house for the movement. We have no politics; we are our own masters. Our purpose is objective analysis. Co-operation is too important a movement now to need advertisement. We have arrived at the stage when what we most need is a truthful estimate of what we can do and what we cannot.

Co-operation is a world-wide movement, which is now about one hundred years old. It is related historically to that profound economic upheaval which we call the Industrial Revolution. It has appeared always in response to some economic pressure such as the growth of factory life or of commercial agriculture, both of which have altered fundamentally the older simpler relationships between town and country. Industrialism smashed the old domestic industries of England, but Industrial Democracy in the person of the Rochdale Pioneers had done something to recreate the old home life. It has rebuilt this old life around a new and larger home, the co-operative society. The Rochdale Pioneers Society founded in 1844 was the present model of the two great federations of societies which to-day have their wholesale houses, their factories, their insurance society, their bank, and last but not least, their tea plantations in Ceylon and South India, which I have just had the pleasure of visiting.

The Store Movement.

The supreme merit of the co-operative store movement is that it succeeds, and succeeds without the help of anyone from without. It makes an asset of the act of spending because of the dividend on purchases. It has turned old indebtedness into new saving. It is a

permanent testimony to the power, as well as the virtue of cash payments. It is a rock of social stability, and a training ground in self-government. Without its support, the Labour Party could hardly hope to command the confidence of moderate men and women. I add women because the women of England spend the wages, and they have the movement in their keeping. Co-operative store-keeping is always a possibility provided that the population has three qualities, loyalty, shrewdness, and determination. If you start a store and buy elsewhere you destroy your own child. If you buy wrong stuffs or employ a salesman who is crooked or incompetent, you disgust your members and they leave. If you give in at the first check, you are not worthy to be a co-operator. It is not a question of poverty. The starving debt-burdened hand-loom weavers started the movement in England and wage-earners equally poor started it in Western Europe. It is a question of character.

But, of course, you must have wages to spend at your store; and it is among town wage-earners, small Government officials, railwaymen, the transport workers that I look to see such a movement growing in India. I have seen one town store in Bangalore. You ought to have many such in your State, all ultimately united under a co-operative wholesale society. If wage-earness are in debt, it is not necessity, but their own deliberate and foolish extravagance which keeps them in debt all their lives. That was what the poor co-operators of England and Scotland found a century ago. I have little hope of any consumers' movement which involves itself in lending operations to its members, for in doing so, it destroys the only chance of bringing the indebtedness to an end. To speak quite frankly, the extravagance of Indian men and women in social ceremonials, in dowry, in the size of the family itself, bewilders the students and working people of England. If you cannot transfer some of their expenditure to the endowment and enrichment of that larger family grouping the co operative society of the towns, I think no co-operative movement that is really worth while will arise in your towns. And if it does not arise in your towns, I cannot see with what sort of honesty you can go and preach co-operation to the much poorer people in the country.

Problem of the Cultivator.

The problem of the cultivator is more difficult. He draws no regular wages; and unless he inherits an unencumbered farm, he must incur debt. The experience of Europe and the New World is that

there is a big and legitimate field for the State-aided Land Mortgage Bank. It is only quasi-co-operative in form and function; but the more co-operation there is, the better, provided that the co-operative element is not at the expense of financial stability. Such a bank supplies landowners, possessing a good title, with funds at a lower rate than they would have to pay in the open market. I can see no better way of using such a loan than to pay off a debt incurred at a higher rate. But it leads nowhere unless this easement is made the opportunity for better farming. The valuation on which the loan is made should be conservative, and the payments of interest and principal should be extended over a long period of years, but rigidly enforced. The aim should be to select good risks and help only those who are capable of helping themselves.

There remains the need of the cultivator for a seasonal loan over the crop year. This is the field in which the Raiffeisen village system presupposes a spirit of thrift. Those countless little villages of Germany and Central Europe themselves before the Great War provided the saving which they then lent out among themselves. They took the place of the buried stocking. Now in the new world, and, if I mistake not, to a large extent in India also, the Raiffeisen essential has been largely absent. For the deposits come from persons or bodies higher in wealth and social status than the borrower and this cuts at the essence of co-operation. The unlimited liability of a group of thriftless persons is something which is worth nothing. Indeed it is worth less than nothing because it prevents the farmer of moderate substance from joining. Therefore, the village bank should be selective,—if you will, exclusive,—and confined to those who are thrifty enough and honest enough to become credit-worthy. The day of 'easy money' I firmly believe has passed. No Government, Indian or British, can face it as a permanent policy. But it is possible for co-operative supply and co-operative sale. For, if the cultivator uses his loan through a co-operative channel, e.g., for the purchase of seed, fertilisers, implements, etc., and sells his produce through the same or an allied co-operative channel, then the society has a better prospect of recovering its loans. The dealer (sowcar) supplies an integrated service, buying, selling, and lending. Must not the co-operative society do the same, if it is going to bring real economies to its members? The great advantage of co-operative buying and selling is that it brings the members into close and continuous contact. It gives him a chance of improving his products

in quality and selling it under the society's. It may grade eggs, grow special quality cotton, coffee, castor, linseed. Even if the act of co-operation goes no further than the local assembly of its members' products and their sale to a reliable dealer, that is something; and it is on the local something that the other and bigger things can grow.

I have been greatly impressed both in the Mysore State and in Hyderabad State by the zeal with which the Government in pushing forward roads, markets, universities, hospitals, sugar factories and the like; and the day, I presume, may come when the great municipalities will supervise the delivery of pure milk to the towns. Here is a chance for a form of co-operation. The dairies or factories may be owned by the State, by companies or by associated consumers. The farmers could be organised for the delivery of supplies to these. They should be paid by quality and poor suppliers should be expelled. This will give the growers a definite interest in quality; and if the growers of a locality are grouped in a district contract, they will have a joint interest in the quality of products which their district provides. Better business can then be made the avenue to better farming.

Municipal Enterprises.

Well-conceived state or municipal enterprises may be made to possess many of the qualities of a co-operative consumers' organisation. The Belgians call these enterprises 'Regies co-operatives.' I have written the account of a great Canadian achievement in this sphere in my book 'Youth and Power.' It is the publicly owned Hydro-Electric Commission of Ontario, which is a voluntary federation of municipalities deriving power from the Central-Hydro-Electric Establishment which is in the hands of a public Commission. From this Government-appointed Commission, politics has been rigidly excluded. It is a small body of experts. It pays its way and pays handsomely and it has provided Ontario with light, heat and power at rates about half those of New York State, which derives its power from the same Niagara river, that supplies Western Ontario. All profits return eventually to the consuming public. Is there not here too a field to which India might contribute something? In proportion as the old forms of co-operation are found to be defective, we must find new ones where the co-operative essence, which is group effort with a view to common enjoyment, may prevail."

Dr. Fay in Coorg.

Dr. C. R. Fay, M.A , D.Sc., the Chairman of the Horace Plunket Foundation, London, who recently opened the Mysore Provincial Co-operative Conference, was here on a short visit for three days *en route* to Australia. On 11-10-35 he had a formal discussion with the Commissioner, Registrar of Co-operative Societies, a few other gazetted officers and two European Planters, regrading the marketing problems of coffee and oranges. He visited a few coffee and orange estates and on the 12th evening delivered a public lecture on "Some aspects of the world agricultural consumers' Co-operation" at the local High School, when Mr. G. S. Bozman I.C.S., Commissioner of Coorg, presided. The elite of the town including high officials were present.

The great co-operator began with his simple definition of the word 'Co-operation' and said that co-operation meant nothing but working together for the common enjoyment of all those who joined together. He said that co-operation was essentially a movement of the poor and the weak. He then traced the history of the great movement from the economic upheaval of the Industrial Revolution in the 18th century, the efforts made by the 28 poor flannel handloom weavers of Rochdale in 1844, who were driven to the necessity of making a bold venture of trading with a small capital of one pound and how that parent society had developed in a few years, bringing within its fold one-fifth of the population of European countries. The attention of the audience was then drawn to the steady progress of the movement in organising federal societies of the type of the co-operative wholesale societies (popularly known in England as C. W. S.) with huge banking and insurance branches, undertaking also on large scale the production and distribution work, involving a turnover of millions of pounds. He laid great stress on the working of the English and Scottish joint Co-operative Wholesale Society, which owns 25,000 acres of tea estates in South India, Ceylon and Assam. It was a pleasant surprise to hear from him that the biggest shop in London was owned by the London Co-operative Society. He explained at great length the Rochdale principles of co-operative trading, namely, dividend on purchases, fixed rate of interest on capital, democratic control, strictly cash system of trading and lastly complete neutrality in religion and politics.

He then gave instances of the California citrus growers' co-operative association and the great co-operative house building societies of Canada. He exhorted the Coorg orange garden-owners to form organisations similar to those in California and derive the utmost benefit of co-operative trading. He paid a great tribute to the two novel types of co-operative societies of Coorg--the anti-lantana and anti-malarial. Lastly, he emphasised the need for organised credit for the agriculturists and said that their economic salvation lay in their resorting to better farming and better business. He commended the formation of co-operative stores and loan and sale societies in suitable centres, strictly adhering to the three principles of loyalty, shrewdness and determination.

At the conclusion of the lecture there was a lively discussion in which Messrs. I. C. Subbayya, M.A., B.L., M.L.C., M. M. Belliappa and others took part. With a vote of thanks proposed by Mr. K. Chengappa, Registrar of Co-operative Societies, the pleasant function came to a close.

(From a Correspondent.)

The Erode Co-operative House Mortgage Bank, Limited.

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(Estd. 1924.)

The place for safe investment of Long Term Funds—Secured by First Class First Mortgage outstandings and Assets of the Bank—of special advantage and convenience to Government officials and employees.

Fixed Deposits for 10 years at $5\frac{1}{2}$ % per annum required.

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Particulars from the Secretary,

E. S. GANAPATI AIYAR, B.A., B.L.,

President.

Conferences.

MYSORE PROVINCIAL CO-OPERATIVE CONFERENCE.

The Twenty-second Mysore Provincial Co-operative Conference met as usual at Mysore during the Dasara, the dates this year being the 4th, 5th and 6th October. Among others it was attended by Sir Mirza Ismail, Sir Charles Todhunter, Mr. C. Y. Chintamani of Allahabad and many high officials of the State.

Two distinctive features of this year's conference were that it was opened by Dr. C. R. Fay, President of the Horace Plunkett Foundation, London, and a well known authority on Co-operation, and that it was presided over for the first time by a non-official co-operator of the State, Mr. A. Krishna Rao, President of the Mysore City Co-operative Bank. The delegates and visitors were welcomed by Mr. S. Venkatakrishnayya, President of the Mysore Propagandist Institute, under whose auspices the Conference was held.

In doing so he gave expression to the happiness felt by the co-operators of the State as well as others at the complete recovery of His Highness the Maharaja from his recent illness. He felt gratified that notwithstanding the continued depression of the last six years the movement had fairly progressed in the State. Though there was a decrease in the number of societies, in membership and in deposits, there was an increase however in the working capital, profits and reserve fund. Industrial societies had fared badly, it was true, and not much progress had been made by agricultural non-credit societies. But the Land Mortgage Banks and Building Societies had made a notable advance. The latter had received special help from Government. "The Government have very recently granted a loan of Rs. 1½ lakhs to the Bangalore City Co-operative Housing Society, which has prepared a scheme for the formation of a Co-operative Colony for the poorer and lower middle classes and another sum of Rs. 1½ lakhs to the Apex Bank for financing other housing societies in the State." He appreciated the policy pursued by the Registrar of vigorous consolidation and rectification conjointly with cautious expansion; the appointment of official liquidators; the valuable co-operation given by the department to the Apex Bank and other organisations in the recovery of overdues; and the great help which the present Registrar, Mr. M. G. Mekhri, had given in pushing forward the construction of the Co-operators' Home in Mysore City. Lastly, he thanked the Government for appointing a Co-operative Enquiry Committee with Diwan Bahadur K. S. Chandrasekhara Aiyar as its President. He then requested Dr. Fay to open the Conference. The latter's admirable speech is published elsewhere.*

*Please see pages 245 to 248.

The presidential address of Mr. Krishna Rao was not marked by the spirit of complacency which was evident in the welcome address of Mr. Venkatakrishnayya. Though Mr. Krishna Rao was aware that the progress made by Mysore was comparable with that of British Indian provinces and other Indian States, he felt that serious mistakes had been committed which should be rectified. Education and propaganda as regards the nature and objects of co-operation had not preceded the organisation of societies. Government should not have been content with establishing a hierarchy to administer the Co-operative Regulation but should have spent a sufficient amount of money on education and propaganda. From the beginning the movement was not viewed as a form of business requiring special qualifications for its management, but rather as a form of philanthropic enterprise that people with mere good intentions and a large heart could work successfully. " The time has come," said he "for emphasising that co.operation is distinct from philanthropy." The provision of long term credit for agriculturists was very urgent, land mortgage banks should be started more rapidly than at present and the maximum period for the repayment of their loans should be raised from 25 to 40 years, as already the proportion of over-dues in these banks had risen higher than 50 per cent. "The price of land has fallen so low that in many cases even if all their lands are sold the villagers are not able to free themselves from the burden of debt. Almost all creditors realise this and especially after the extension of the Agriculturists Relief Regulation to the whole State they have given up all hope of recovering even the principal amount advanced. In a situation of this kind it is necessary that some measures must be adopted towards debt conciliation. The debts due should be moderated and the amount so moderated should be advanced on proper and adequate security by the land mortgage societies and recoverd in instalments extending over a sufficiently long period." For promoting the goal of agricultural co-operation, which is 'better farming, better business, better life' the Departments of Agriculture, Industries, Commerce and Co-operation should co-ordinate their efforts in a programme of rural reconstruction. Hondloom weaving and sericulture being the two most important cottage industries of the State, he urged that in the immediate future separate provincial co-operative societies should be organised to promote them, adequately financed and helped by the State until they could stand on their own legs.

Regarding urban banks, he said that the policy of the Government and of the Department should be different from what it was towards rural societies. "It is unfortunate that in working these urban banks methods which are conducive to the welfare of only rural credit societies are being mechanically adopted though the two classes of societies are entirely different." He deplored that the turmoil of keenly contested

elections was driving experienced and ardent co-operators from the managing committees of the urban banks and lowering their efficiency. He also advocated the imposition of some restrictions on the undefined power of the general body to override the decisions of the managing committee, taken by the latter in accordance with the rules of the society. Another evil prevalent in urban banks referred to by him was the same person being a member of several societies and borrowing from all of them. If this evil could not be controlled by the societies themselves, he would welcome a Rule being framed for the purpose by the Government under the Regulation. Whatever justification there might have been in early days for the encouragement of communal and ward societies in urban areas, he found them only conducive to inefficiency at present and would advocate a change of policy towards them. In order to promote thrift among members he would make the holding of a Provident Fund Board an obligatory condition of membership.

Among the other suggestions made by Mr. Krishna Rao in his address were the pooling of orders for important articles by the store societies in Banglore and Mysore; the construction and sale of houses on suitable terms by building societies instead of their giving loans to members for building purposes as the latter practice usually landed them in difficulties; the starting of a Co-operative Training Institute for the training of workers; and the strengthening of the finances of the Mysore Co-operative Institute by a liberal grant from Government and by at least the prosperous co-operative societies contributing a definite percentage of their profits for its efficient maintenance.

The following resolutions were passed at the Conference :—

1. That this Conference begs most respectfully to tender its felicitations to His Highness the Maharaja on His complete restoration to health and humbly begs to convey its profound sense of loyalty and devotion to His Person and Throne.

2. That all co-operative societies be requested to deal preferably in Indian-made goods.

3. That the system of credit sales now prevalent in co-operative stores is detrimental to the consumers' movement and it should be replaced by cash sales as early as practicable, and as a first step every store society do restrict its credit sales to the members to the extent of their assets in the society.

4. That a Central Co-operative Wholesale Society be started.

5. That the Government be requested to issue loans to the house-building co-operative societies at not more than 4 per cent interest through the Apex Bank, the latter to charge not more than ½ per cent in excess to cover working expenses.

6. That Section 33 and Section 47 of the Mysore Co-operative Societies Regulation be amended so as to empower the Registrar, in suitable cases, to permit co-operative societies to set apart 20 per cent of the net profits for the Reserve Fund and to utilise the remaining 5 per cent for co-operative propaganda.

7. That with a view to enforce thrift among the members a system of compulsary Provident Fund co-terminous with membership be introduced in all urban co-operative societies of limited liability and that the societies be prohibited from granting loans on the security of such fund.

8. That the Government be requested to introduce Co-operation as one of the subjects of study in all Middle, High and Normal Schools.

9. That Co-operative Training Classes be started in all the District Headquarters and that the employees of all co-operative societies be compelled to undergo training in Co-operation, Banking, Accountancy etc.

10. That as doubts have been raised with regard to the liability of granting advances to non-member depositors on the security of their deposits, this Conference requests the Government either to amend Section 29 of the Mysore Co-operative Societies Regulation on the lines of the Madras Co-operative Societies Act, 1932, or to exempt by notification such transactions from the operation of Section 29—(1) of the Regulation.

11. That the Mysore Co-operative Institute be requested to maintain a panel of auditors with the approval of the Registrar for the audit of Co-operative Societies' accounts.

12. That with a view to enlist the sympathy and services of non-official men and women for the co-operative movement the system of Honorary Organisers be revived.

13 That Honorary Assistant Registrars and Inspectors from among non-official men and women be appointed.

14. That the Government be requested to constitute a Marketing Board with a Marketing Officer for the purpose of surveying marketing conditions and helping in the co-operative marketing of agricultural produce and in the economic development of those branches of agriculture likely to be most remunerative.

15. That this Conference requests that the Government may be pleased to grant the following concessions to co-operative societies:—

(a) Exemption from Stamp Duty;
(b) " " Court Fees;
(c) " " Registration Fees;
(d) " " Income and Super Taxes;
(e) " " Special Notice Registrar Fees;
(f) " " Record of Rights Fees;
and (g) " " Municipal Tax on Societies' Buildings.

16. That this Conference considers it necessary that Co-operative Land Mortgage Institutions should undertake the business of granting short term loans for better cultivation of land or for current agricultural operations; provided that the amount of loans to be granted to any one individual member does not exceed Rs. 250 and that no such loans are granted except to a member who has been previously granted a long term loan for the redemption of prior debts on the mortgage of his agricultural land and whose mortgage is subsisting.

17. That the present practice of recovering interest on loans in advance be limited to a period not exceeding of 6 months.

18. That the Government be requested to establish a special branch of the Co-operative Department for speedy execution of decrees of co-operative societies, the cost being largely met from process fees etc.

19. That the amounts realised towards decretal dues from time to time by co-operative societies be kept in suspense and appropriation of the same towards principal, ordinary interest and penal interest be made only in the final stage when the decree is fully satisfied or when it is declared that no further recovery is possible.

20. That this Conference urges upon the Government and the co-operators the necessity of starting a Hand-loom Weavers' Co-operative Central Society for the purpose of providing continuous employment, technical advice, cheap credit for purchase of yarn etc., and marketing facilities.

PATNA CONFERENCE—RESOLUTIONS.

Resolutions passed at the Meeting of the All-India Provincial Co-operative Banks Association held at Patna on 1st September 1935.

I

Condolence.

"This conference places on record their deep appreciation of the services rendered by Rai Bahadur Jamini Mohan Mitra, late Registrar of Co-operative Societies, Bengal, to the Co-operative Movement in the country and tender their condolences to the bereaved family."

II

Reduction of Overdues.

"This conference recommends that the following among other steps may be taken to reduce overdues in societies:

(*a*) 1. Improving the machinery for collection by persuation as far as possible and creating special machinery for the execution of awards and orders of liquidators.

2. Writing off the whole of the penal interest charged to the members on overdue loans and where possible to reduce even the normal

rate of interest on overdue loans so as not to exceed six per cent, or in any case the rate of interest charged by the central bank to the societies. Charging of penal interest should be done away with in all the provinces.

3. Giving extensions in all deserving cases after an examination of individual loans and where adequate security is forthcoming, the period of extension being fixed with reference to the repaying capacity of the members in each case.

4. Bringing down the general rate of interest on new and renewed loans.

5. Making provision for the advance of fresh finance to societies which show good management, though their loans may be overdue to the central banks to some extent.

6. Where these steps result in the central banks giving extension to societies and the Provincial Bank giving extension to the central banks in regard to overdue loans in the societies which are placed on a new footing, the Provincial and Central Banks should give such extensions.

(*b*) Where a scheme of extensions outlined above requires long term funds and the extensions are for more than five years, the Provincial Banks may float uncovered debentures, the debenture-holders ranking *pari passu* with other creditors, to attract the requisite amount of long term money and to finance central banks whenever need arises so as to enable them to return their short term deposits which may be involved in long term extensions to societies, the depositors being offered the option of taking the debentures in lieu of the fixed deposit receipts or taking the money.

(*c*) In provinces like Bihar and Orissa, where the conditions require special treatment, this conference is of opinion that the Provincial Government should render financial assistance to the Provincia Bank either by way of granting a loan of the long term capital necessary for the purpose or by guaranteeing the principal and interest on the debentures to be issued by the Provincial Bank for the purpose."

III

Marketing of Agricultural Produce.

1. "Resolved that in order to improve the financial position of the agriculturists, attempts be made to organise proper co-operative marketing societies and worked with the aid of co-operative banks.

2. That out of the Government of India's grant for improvement of marketing or from its own funds an adequate sum be set apart by every Provincial Government for improvement of co-operative marketing and be placed in the hands of central or provincial co-operative institutions in suitable areas where there are facilities for introduction of co-operative marketing.

3. That Provincial Organisations be requested to frame their own schemes regarding the co-operative marketing of agricultural produce.

4. In areas where there is scope for successfully organising co-operative marketing of particular crops either societies existing for the purpose or sale societies to be newly started should be helped by financial grants from the Provincial and Central Banks in whose area the society is situated to enable the society to employ trained and expert staff, and to secure storage accommodation and like purposes. If such assistance is rendered, many of the sale societies which are now languishing for want of proper staff and finance can maintain a well-equipped establishment and work better.

5. Where proper storage accommodation is secured and the sale society can obtain effective custody of the produce and can insure it against fire, theft and other risks, documents of title to such goods which are backed up by tangible security will become available on the strength of which credit can be easily obtained from co-operative banks. The recommendations of the Indian Central Banking Enquiry Committee in this respect may be adopted by the co-operative institutions."

IV

Regulation of Financial Policies etc.

"This conference is of opinion that the regulation of financial policies such as fixation of borrowing and lending rates, investment of surplus funds and allied matters should be centralised in the Provincial Co-operative Banks and that the regulation of the financial working of the primary societies should be similarly centralised in the central banks; provided that nothing in this resolution shall be deemed to vest the Provincial or Central Banks with any administrative control over or interference with the internal management of their affiliated societies."

"Resolved to adopt the proposals contained in the note circulated by the President." (The Note is on the separation of long-term credit from short-term credit in the existing co-operative banks.)

(Note Omitted—Ed.)

VI

Indian Co-operative Review.

"Resolved to make a grant of Rs. 1,000 to the All-India Co-operative Institutes' Association to meet the expenses of the conduct of the *Indian Co-operative Review* for the year 1936."

Resolutions passed by the Standing Committee of the All-India Co-operative Institutes' Association at its meeting held at Patna on 1st September 1935.

Debt Conciliation.

1. This Conference suggests the following methods by which co-operators and co-operative societies can help the debt conciliation boards:—

(*a*) Co-operators know the economic conditions of the people, particularly the members of co operative societies in particular areas. When the Government wants to select suitable areas for introducing the experiment of conciliation boards, co-operators can help the Government in this task by their knowledge.

(*b*) Co-operators can help the conciliation boards by advice and assistance. Where they are trusted in the villages they can give valuable assistance to the board in arriving at a reasonable amount and method of composition in inducing parties to agree upon it.

(*c*) Co-operators can guide societies in possible methods of debt conciliation with their own member debtors in order to set an example to private creditors.

(*d*) Co-operators may encourage debtors, who are not plainly insolvent, to join societies. They can also help in the formation of societies where none exist and where these societies can usefully extend credit to debtors.

(*e*) It is possible that managing committees of good credit societies may be employed in bringing together debtors and creditors, whose case is before a conciliation board, and in inducing the creditors to compound their debt for a reasonable figure.

(*f*) If members of co-operative societies bring their debts for conciliation before the boards and if they have not exhausted the limit of their credit, societies will of course be able to advance them money upto the maximum credit limit.

(*g*) If debt conciliation boards are to be successful, they must work in close conjunction with Co-operative Land Mortgage Banks. This system has been tried in the Central Provinces. It has been found by experience that the debt conciliation boards without the adjunct of the Land Mortgage Banks, are not a very effective means of providing the necessary relief either to the agriculturist or to the creditor who is prepared to compromise his claim. Therefore the co-operative movement can help the debt conciliation boards by the formation of the Land Mortgage Banks.

Productive and Distributive Societies.

2. "Resolved that in order to bring about a balanced national economy in India it is desirable to organise co-operative societies for the production and distribution of commodities of general consumption."

Co-operation and Women.

3. "This conference is of opinion that there is a great need of spreading the co-operative movement among women. Therefore it is resolved that the Governments of various provinces and States in India be requested to appoint lady organisers for taking up this work and also open classes for training women workers."

Co-operative Education.

4. (*a*) This conference resolves that steps be taken by co-operators to put co-operative education in India on a sound and satisfactory basis and in order to do so, the following scheme is circulated to the several Provincial Institutes and Provincial Banks for their opinion and the subject will be brought up at their next meeting.

(*i*) A Central Institution for research and higher studies in co-operation for the whole of India somewhat on the lines of the Horace Plunkett Foundation be established in a suitable University centre in India.

(*ii*) A fully equipped provincial college of co-operation be established in each province with a 2 or 3 years' course.

(*iii*) Training institutes with two sections, one for the training of higher staff of provincial and central institutions and the other for the training of lower staff of societies be established in each province, the number of such institutions and other details of their constitutions depending upon the requirements of each province.

(*iv*) Organisation of centres for the education of the members of societies.

(*v*) Starting of special institutions for the education and training of women co operators.

(*vi*) The syllabuses for the studies in each of these institutions and the estimated expenditure thereon be prepared by the President and the Secretaries and circulated along with the scheme in inviting the opinions of the Provincial organisations.

(*b*) This conference regrets to notice a tendency on the part of the Provincial Governments to officialise the agencies for the imparting of Co-operative Education and is emphatically of opinion that such a step will prove highly detrimental to the movement. The conference therefore, urges on the Government of India and the Provincial Governments the need to arrange for co-operative education being imparted through non-official co-operative organisations and for making financial grants to these institutions for carrying out the programme of co-operative education."

Rural Uplift Grant.

5. "This meeting regrets that the Provincial Governments have not consulted the Provincial Co-operative Institutions in their respective

provinces with regard to the allocation of funds for Rural Uplift and requests the Governments in future to consult them in the matter of allocation of such funds and to ensure that as much money as possible is spent through co-operative organisations."

Indian Co-operative Review.

6. (*a*) "Resolved to continue the publication of "the Indian Co-operative Review" for a further period of two years at Madras under the editorship of Mr. V. Ramadas Pantulu.

(*b*) . . . .

(*c*) The Indian Provincial Co-operative Banks' Association is requested to make a grant of Rs. 1,000 to meet the expenses of the conduct of the Review for the year 1936."

Publications.

7. "Resolved that 'Co-operation in the Punjab' by Sheikh Ata Ullah, M.A., be published under the auspices of the All India Co-operative Institutes' Association. A foreward may be added to the book to the effect that the Association does not hold itself responsible for the views expressed by the author."

8. "Resolved that a scheme for the second volume of 'Co-operation in India' be prepared and circulated among the members of the Standing Committee for opinion and brought up before the next meeting."

Reserve Bank and Directors.

9. (*a*) "Resolved that the Government of India and the Provincial Governments be requested that at least one Director on the Central Board and also on the Local Boards of the Reserve Bank of India should be a representative of the Co-operative Movement. He should be appointed with the consultation of the All-India Co-operative Institutes' Association and the Indian Provincial Co-operative Banks' Association."

(*b*) "Resolved that concerted action should be taken by the Provincial organisations with the co-operation of Central and other Banks within the area of each register of the Reserve Bank to have experienced co-operators elected to the Boards of Directors of the Reserve Bank."

Marketing Boards

10. "Resolved that the Government of India, the Provincial Governments and the Governments of Indian States be requested to appoint co-operators on their Marketing Boards."

Expansion of Co-operative Movement.

11. "Resolved that the Provincial Governments and the Governments of the Indian States be requested to spend more money on the co-operative movement."

Co-operative Societies and Sphere of Operation.

12. "Resolved that the Government of India be requested to expedite the passage of the Bill to supplement the Law relating to Co-operative Societies, providing for the registration as co-operative societies of societies whose area of operation extends to more than one Province."

Publication of Annual Reports.

13. "The Annual Reports on the working of Co-operative Societies in the various Provinces and States in India are published very late and therefore lose much of their value. Resolved that the Governments of the Provinces and States be requested to publish these reports within a reasonable time."

Next Session.

14. (*a*) "Resolved that the next All-India Co-operative Conference be held at Bangalore in Easter 1936."

(*b*) "Resolved that the next meeting of the Standing Committees be held at Hyderabad (Deccan) in X'mas, 1935."

Co-operative Societies in Indian States and Income-tax.

15. "Resolved that Co-operative Institutions registered and working in Indian States should be exempted from income-tax on earnings realized by them in British India."

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Recent Utterances.

Mr. Ramadas Pantulu speaking in a series of talks on Co-operation arranged by the Y. M. C. A. at Madras, after describing the structure of the co-operative credit organisation and the construction and work of the primary society, the central bank and the provincial bank, said:—

Financing of the Co-operative Movement.

The movement derives its finance from the share capital and thrift deposits contributed by the members, deposits from non-members and loans from institutions and the Government. The idea of collecting share capital is two fold. From the stand point of the member, it is intended to enable him to accumulate his savings and invest them in his own co-operative organisation. From the standpoint of the society it is intended to help the society to build up its own capital. But in practice, the members who contribute share capital, have not derived much economic benefit from it. The shares in the co-operative credit societies are non-withdrawable and they do not help the member to rely on them in times of economic distress; nor do these shares serve any definite purpose in assessing the credit worthiness of the member, while his maximum credit is primarily based on his so called net assets. In the primary societies, the thrift deposits of members are negligible. In regard to the absence of thrift on the part of the agriculturist, I feel that the charge is exaggerated. While some of them may be imprudent and thriftless, the vast majority of them have no means to save and have to live on insufficient income and borrow not because they can but because they must. So, it is no wonder that the members of primary societies are unable to find their own capital for the financing of the Movement. Loans from the State also constitute a very small fraction of the resources of the co-operative credit societies. So, the bulk of the finance is derived by deposits from non-members and loans from the central and provincial banks, which attract large deposits from the surplus wealth of the urban population and lend them out to the primary societies. At present, there are adequate funds in the movement. The difficulty of the co-operative credit movement to-day is not absence of funds but the means of utilising even the funds which the movement possesses. The working capital of the co-operative credit societies in this province is a little over ten crores of rupees and is composed of the following items: share capital of societies and banks Rs. 179 lakhs, reserve fund Rs. 144 lakhs, deposits Rs. 665 lakhs and loans from Government Rs. 25.5 lakhs. It will be thus seen that 32 per cent of the total working capital is the owned capital of the movement and the rest borrowed. Out of this sum of Rs. 10⅛ crores only 6¼ crores are lent

out to the societies. There is a surplus of about 4 crores which is invested outside the movement in Government Securities and other modes.

The bulk of the outstanding loans in the societies have become frozen assets of the societies and so fresh loans are not given to any large extent. This is the most distressing feature of co-operative finance in India to-day. But I must say that there is no fear about the ultimate safety of our investments in the societies and that no creditors or depositors will lose their money. Our assets are ample to meet our liabilities and no co-operative bank has failed to meet its commitments even in the days of the economic depression.

It must be admitted that the partial failure of the co-operative credit movement is undoubtedly due to the mistakes we have committed in the past in regard to our methods of finance. Inelasticity, dilatoriness and under-financing or over-financing have been the weak points in our finance. The methods adopted by the co-operatve societies in lending are too rigid and too formal to suit the simple requirements of a villager and very often a loan applied for to meet the urgency of a seasonal expenditure is not disbursed until long after the necessity has ceased. Loans were granted primarily on the basis of the value of the net assets as disclosed by what are called property statements and not on the basis of the earning and repaying capacity of the members. This has resulted in members, the value of whose property is small, though they might be thrifty and honest, being under-financed because their maximum borrowing power is fixed at a low figure. Men with larger assets were given heavy loans, which were not required for productive purposes and which were put to wasteful and extravagent uses. Thus under-finance and over-lending were prevalent side by side in the societies to the great economic disadvantage of both the poor and the rich.

Another sad mistake which the financiers who have been in charge of the destinies of the co-operative movement committed was the mixing up of loans required for various purposes and dispensing short, intermediate and long term loans indescriminately to members. Co-operative opinion has now crystallised round the view-point that these three different forms of loans should be distinguished and that different types of co-operative organisations are required to dispense short and intermediate term credit on the one hand and long term credit on the other. The practice of dispensing long term loans through co-operative credit societies has now to a large extent been given up in this province, though it is still practised in other provinces. We, in this province, have a system of land mortgage banks to dispense long term loans. These banks, which dispense long term loans, derive their finance in a very different manner from that in which the ordinary credit societies, the central

banks and the provincial banks do. As deposits and loans for short term cannot be utilised for long term loans, land mortgage banks issue long term debentures corresponding with the period of the loans to be disbursed. We are now able to get money in this province for 20 years at $3\frac{1}{2}$ per cent in these debentures, the principal of and interest on which are guaranteed by the Local Government.

We have now come to an understanding that while the short and intermediate term loans disbursed by the ordinary credit societies should serve to satisfy the seasonal and current needs of the borrowers, the long term loans disbursed by co-operative land mortgage banks will be primarily utilised for discharge of prior debts or for effecting permanent improvements to lands. But the period of repayment must be enhanced to 30 or 40 years and the rate of interest charged to the ultimate borrowers should be still further reduced. It is also difficult to maintain that we have pursued a progressive policy even in regard to the rates of interest charged to the agriculturists. As matters now stand, the bulk of the outstanding loans in our societies which are overdue carry an interest of $12\frac{1}{2}$ per cent. My impression is that out of the $6\frac{1}{4}$ crores owned by the members about Rs. 5 crores still carry that high rate which is not more humane than that charged by the average much abused moneylender. So, I am surprised at the suggestion that schemes of debt conciliation should not be applied to co-operative societies. Co-operative debts must be conciliated like other debts.

The Government also have been helping the agriculturists to some extent by loans under the Agricultural Loans Act and the Land Improvement Loans Act. The Government have recently amended the Agricultural Loans Act so as to permit lending to the agriculturists funds for the discharge of prior debts and the Act is about to be put into operation in two or three select districts. It is the intention of the Government to couple the operation of this Act with the scheme of debt conciliation and to lend to agriculturists who conciliate their debts with the creditors in order to satisfy the latter. The experiment will be watched with great interest. The co-operative credit organisations too can take their legitimate share, to a small extent, in the promotion of these objects.

Co-operative finance is subject to very serious limitations. Investment of funds in agricultural credit societies is a very risky mode of investment. From the standpoint of banking, the distribution of funds among thousands of small cultivators "thinning the stream of money sending it in rills over a broad surface. so that irrigation may be perfect and reaching every root to be watered," as Mr. Wolf puts it, is a very difficult operation. Agriculture is a precarious industry and the repaying capacity of these numerous small borrowers is adversely affected by every factor,

physical and monetary, which affects either production or the price of products. Unless there is a market for the improved and larger crop, the additional cost incurred in raising it will result in actual loss than gain. Notwithstanding this and other risks, co-operative banks are expected to be able to shoulder this extraodinary financial responsibility on the assumption that the members of primary societies will be true to their joint responsibility and mutual guarantee to discharge their loans to the societies, and the panchayats of village societies will function efficiently in the matter of distribution and collection of loans to their members on sound business lines. With the increasing migration of leisured and wealthy men from the villages to towns, it is becoming more and more difficult to find efficient and reliable men to constitute these panchayats. So, to the extent that these fundamental assumptions have failed, the efficacy of co-operative credit has failed. Any weakness at the foundation naturally threatens to affect the whole structure of the co-operative credit organisation.

Those who have still faith in the Movement say that just at present it is "dry docked for repair" and will soon be put to sea again, while those who have lost faith in it say it is "thrown on the scrap-heap as it has proved to be utterly unseaworthy." I belong to the former class. Let us ascertain precisely what is wrong with it to-day. It is best to give it in the words of our informed critics who wish to help us out of our difficulties if they can. No other opinion is worth quoting. The Managing Governor of the Imperial Bank, giving evidence before the Central Banking Enquiry Committee in 1930 said with regard to our credit institutions: "The fundamental principle of co-operation is lacking, overdues are highly excessive, audit is defective and control is inefficient. This is an impartial condemnation of both the official and non-official wings of the Movement. The Royal Commission on Agriculture, while mentioning all the defects on which the Managing Governor of the Imperial Bank laid emphasis, added that the spirit of self-help is not as prominent as it should be if the Movement is to be a live force in the village" They have put it mildly for in some cases, "self-help" has alas now come to mean "help yourself with other people's money. But what does all this mean? It means that the fault lies not with co-operation but with co-operators. Schemes of structural or financial reconstruction of the co-operative movement will therefore bear no fruit until there is a mental and moral reconstruction among the co-operators themselves. The path to our success lies along Honesty, Knowledge and Faith. But for the cultivation of these virtues, the Movement must be allowed more freedom than it now enjoys. It is cramped and cripled under too much of official control. Dr. Warbasse dealing with co-operation in self-governing countries like the U. S. A. says that there can be no such thing as State controlled and administered co-operation and that it is a sort of protection that smothers. The late lamented "A.E." and Sir Horace Plunkett said much the same thing.

Co-operation in Trichinopoly District.

IMPRESSIONS OF A VISITOR.

Rao Bahadur A. Rajabadar Mudaliar one of the Secretaries of the Madras Provincial Co-operative Union, recently visited the Trichinopoly Town Bank and the District Urban Bank in the course of his propagandist tour. His notes on the societies are published below:—

The Trichinopoly Town Bank.

The Town Bank which was started about 22 years ago and which appeared to have had a bright career for a long time was very unfortunately wrecked a few years ago by indiscreet and irregular methods of administration which seriously affected the popularity of the Bank and shook the confidence of the investing public. Luckily, however, a strong Committee with the present President, M. R. Ry. Rao Saheb P. S. Sivagnana Mudaliar Avl., and other prominent and influential citizens was formed in 1932 to restore strength and public confidence to the Bank.

I noticed that as many as 126 individuals were removed from membership during the last year and it was explained that this was due mainly to the practice of adjusting the entire share capital of a member to his loan dues when his loan is cleared. This obviously injurious practice which if continued would result in the gradual depletion of the members was followed under some erroneous impression of the rules. The power to make such adjustment is no doubt given to the Board by the rules, but it should have been exercised only in cases of absolute necessity where but for such adjustment the loan could not be recovered from the member. In a majority of the cases of such adjustment the members were said to possess the means to pay their loan dues and should have been required to pay them otherwise than by the adjustment of the share capital. The President and the Vice-President recognised the necessity for changing the present practice so as to limit it only to cases of real need and will it is hoped soon get a subsidiary rule passed by the Board to effect the change.

Unlike most Urban Banks this Bank had to borrow loans from the Central Bank to the extent of about Rs. 15,000 excluding the overdraft of Rs. 5,765. It has already deposits of various kinds placed by members and non-members to the extent of nearly Rs. 1,25,000. But there has not been a satisfactory flow of these deposits in recent years. I suggested the desirability of this Bank in a town like Trichy working with its own deposit receipts without the aid of a loan from the Central Bank and the President is alive to this desideratum.

The loans overdue from members amount to Rs. 74,620 for which decrees have been obtained for Rs. 68,557. The interest overdue is Rs. 36,199. There is no system of demanding repayments through an agent employed for the purpose, the Bank merely issuing notices of demand to the borrowing members and awaiting voluntary payment by them. There are obvious advantages in employing a competent subordinate with adequate security furnished by him to go round daily and not only demand the payment of overdue loans by members but also forewarn members of amounts falling due in the near future to help them to avoid default. Such agency is, I believe, employed in other Urban Banks and ought to prove very helpful in reducing the heavy overdues of this Bank. It should be possible by a readjustment of the scale of establishment to provide for such subordinate by whatever name the Bank may call him without any appreciable increase of the present cost of establishment. The President noted the suggestion.

More important than all other steps to revive this Bank and place it on a basis of growing strength is the appointment of a paid Secretary as most other Urban Banks have. The President, I was glad to find, had already been thinking of this and it is hoped that this most important step would not be delayed any longer.

The Bank was not maintaining the prescribed fluid resource for most days of July 1935, the deficiency ranging from Rs. 400 to Rs. 6,400. The President is taking steps to rectify this serious defect by obtaining an increased overdraft provision from the Trichinopoly Central Bank where it has invested no less than Rs. 42,609 as Reserve Fund and a share capital of Rs. 4,500.

Trichinopoly Co-operative Central Bank.

I visited the Central Bank there with the kind courtesy of the Bank authorities and met the President, the Vice-President, the Secretary and the Executive Officer of the Bank, the Deputy Registrar very kindly introducing me to them.

My enquiries into the working of that Bank disclosed that in spite of the general depression and the fall in loan transactions the Bank maintained a thoroughly sound financial position. It had built up a Reserve Fund of about Rs. 3,70,000 besides a bad debt reserve of about Rs. 40,000 and a building fund of Rs. 98,000. Such position was evidently due to the individual element having equalled the society element in the original constitution of its management. This constitution was changed last year and the one recommended by the Townsend Committee which provided for societies double the strength for individuals was adopted, the present constitution having 14 for societies and 7 for individuals or a total strength of 21. It remains to be seen how

this change will affect the future working of the Bank. The Federation has been abolished and the Bank has taken power to control supervision of societies.

There are 14 unions several of which seem to work satisfactorily. Some two of them which are particularly unsatisfactory are expected to be suspended shortly and their societies taken over under the direct supervision of the Bank. Though the Executive Committee of the Bank has power to appoint transfer, fine, suspend and remove supervisors and to appoint also supervisor-managers of unions, the supervisors and managers are placed however under the immediate control of the unions who are empowered to censure, fine or suspend them for one month an appeal lying to the Bank in the case of suspension alone. This dual control may hamper the administration as the supervisors will not be free to bring to light the defects in the societies of the office bearers or their friends. The Deputy Registrar recognises this evil whose removal he thinks can be effected only by a gradual process as the unions would resent being deprived of any control over the above subordinates.

The overdues of societies to the Central Bank range from 12·43 per cent in Chinnadarapuram Union to 96·53 per cent in Udayarpalayam Union, excepting Lalgudi and Trichy Audit Unions which had no overdues in 1933-34. The Deputy Registrar is handling the unions and the societies tactfully and if the present line of improvement continues, the unions in general in the district should gradually become helpful instruments of the Bank for its efficient working.

There is a Manager appointed for every union from among the supervisors and he is given some inspection work also not far from the union head-quarters. The Bank has been able to make a liberal contribution to maintain the staff of supervisors and managers. My impression of the working of the movement in this district is that it is much more satisfactory than in several other Tamil districts that I have yet seen including my own district of Chingleput.

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International Co-operators' Day.

Under the auspices of the Madras Provincial Co-operative Union the International Co-operators' Day was celebrated at Madras on Saturday the 2nd November 1935 in the premises of the Madras Provincial Co-operative Bank. Owing to the unavoidable absence of Dr. P. J. Thomas of the Madras University, Prof. M. Venkatarangaiya of the Andhra University presided over the celebrations. In his opening remarks Mr. Venkatarangaiya said that the burden of the indebtedness of the ryot could not be reduced unless the productive capacity of the land was increased and he pleaded therefore for a co-ordination of the various departments to bring about the desired result.

Then Mr. S. S. Rajapogalan moved the following resolution which reaffirmed the faith of the co-operators in the movement:

"On this Co-operative Day, the Co-operators of India reaffirm their unquenchable faith in the principles which lie at the base of their Movement and constitute its Ideals.

That its ranks should be open to all without hindrance of race, nationality, colour, or creed, is the elementary requirement and proof of its genuine character; That its control should be autonomous and its development unfettered, is of the essence of its existence; That it should substitute service to the community for the profit of the individual is at once the keystone of its economic organisation and its crowning virtue.

Co-operators hail with confidence the indisputable superiority of their economic methods, as demonstrated in the manner in which they have withstood the series of crises which have shattered the economic life during the past decade. They declare their conviction that the return of prosperity to mankind can be appreciably hastened, and definitely maintained, by the general application of the principles of our Co-operative Movement.

Co-operation Universal implies, and imposes, the removal of the many barriers to free intercourse between nations and people which have been set up, especially since the war, with such disastrous effect upon the unity and solidarity of the international family.

The co-operators of the world unite in proclaiming their will for peace and their demand for its accomplishment as the only reasonable basis of a civilised existence and the well-being of humanity."

Speeches were also made on the occasion by Messrs. K. C. Ramakrishnan, T. Adinarayana Chettiar, N. Satyanarayana, V. Ramadas Pantulu and S. K. Yegnanarayana Aiyar. Mr. Adinarayana Chettiar strongly objected to the recommendation contained in Mr. Sathianathan's report for the complete officialisation of the supervision of co-operative

societies in this province. Mr. Ramadas Pantulu observed that the co-operative movement should be popularised by means of incessant propaganda. The resolution was carried unanimously.

Mr. V. Venkatasubbaiya then proposed a vote of thanks to the chairman, after which the meeting terminated.

This Day was also celebrated all over the Presidency and in the neighbouring Indian States. We have received reports of the celebration from many centres and the local dailies have also published reports from many others. But lack of space prevents us from publishing these. We hope however to publish later some extracts from the speeches as space permits. We give below a list of important places and the institutions under whose auspices the celebrations were held in South India.

A. Reports received in our office.

	District.	Place.	By whom celebrated.
1.	Anantapur ..	Hindupur ...	The Hindupur Co-op. Town Bank.
2.	North Arcot.	Vellore ...	Co-op. Central Bank, Vellore.
3.	Cuddapah ..	Cuddapah ...	Dt. Co-op. Central Bank, Cuddapah.
4.	Chingleput ..	Conjeevaram.	Co-op. Central Bank, Conjeevaram.
5.	Malabar ...	Calicut ...	The South India Co-op. Insurance Society, Calicut Branch.
6.	Madura ..	Periakulam ...	Periakulam Co-op. Urban Bank, Periakulam.
7.	Trichinopoly.	Lalgudi ...	Lalgudi Urban Bank.
8.	Chingleput ...	Little Conjee-varam.	Little Conjeevaram Co-op. Urban Bank, Little Conjeevaram.
9.	Tanjore	Mannargudi.	Mannargudi Co-op. Urban Bank, Mannargudi.

B. Places mentioned in the Local Dailies.

Place.	Under the auspices of.
(a) *Indian States*:	
Bangalore (Mysore)...	Mysore Co-op. Institute, Bangalore.
Shimoga (Mysore) ...	Shimoga Co-op. Bank.
Trivandrum (Travan-core).	Trivandrum Co-op. Central Bank.
Quilon ,,	Taluk Co-op. Bank, Quilon.
Kottayam ,,	Kottayam Co-op. Bank.
Trichur (Cochin) ...	Central Co-op. Institute, Trichur.
Hyderabad Deccan) ...	Central Co-op. Union, Hyderabad.
(b) *Maffusil Towns*:	
Salem ...	District Urban Bank, Salem.
Ellore ...	West Godavari Dt. Co-op. Central Bank, Ellore.
Madura ...	Madura-Ramnad Co-op. Central Bank, Madura.
Tenali ...	Guntur Dt. Co-op. Central Bank, Tenali.
Cuddalore ...	South Arcot Dt. Co-op. Central Bank.

News and Notes.

Under the auspices of the Indukurpet Rural Reconstruction Centre, Nellore District, a conference of the Village Panchayats working in the area of the Centre was held on the 13th of October last under the presidentship of Mr. V. Ramadas Pantulu. Mr. Woodhouse, Collector of the District, opened the conference. Mr. K. V. Raghavacharlu, Convenor of the Centre, read a report of its work from the time it was started in January 1929.

* * *

At the conference of Industries Departments held recently at Delhi it was resolved that the present system of allotting grants to provinces on the basis of provincial expenditure and consumption of yarn was quite satisfactory, and that an exhibition of hand-loom machinery and of fabrics should be organised at Patna from the 4th to the 24th February 1936, including competitions for weavers, who are to be attracted from different provinces.

* * *

" Co-operation not a tail to anybody's kite" is the heading of a leading article of a recent number of the *Co-operative Builder* which is published in the United States of America. It is an admirable phrase and should be freely employed by co-operators as an answer to political candidates who seek to win seats in the legislatures and local boards by using co-operative societies as convenient stepping stones, without really wanting to serve the co-operative movement or caring for its ideals.

* * *

Miss A. Honora Enfield, one of the founders of the International Co-operative Womens' Guild and its secretary from 1921 to 1935, passed away at Paris on the 14th of August last. She devoted her life to various kinds of social work and latterly concentrated her energies on spreading the ideals of peace and co-operation. She was guided by the highest and purest idealism and showed a rare capacity for self-sacrifice. Personal considerations never entered her mind, it is said, and neither ambition nor material advantage ever influenced her actions in the least.

* * *

During 1934-35 the membership of the Tirupati Co-operative Town Bank increased from 1,043 to 1,078, its deposits from Rs. 2·50 lakhs to Rs. 2·75 lakhs and the total working capital from Rs. 3·49 lakhs to Rs. 3·79 lakhs. The percentage of overdues to demand was 8·6 under principal and 3·7 under interest. The net profit earned during the year was Rs. 14,316-13 0. The reserve fund of the Bank amounts to more than Rs. 30,500, in addition to which it has a building fund of over

Rs. 8,000, a dividend equalisation fund of Rs. 2,500 and a bad debts reserve of about Rs. 2,000. In the audit order the reduction of the rate of interest on lendings to 7½ per cent is recommended.

* * *

The Government of Mysore have appointed a Committee consisting of officials and non-officials with Diwan Bahadur K. S. Chandrasekhara Iyer, Retired Chief Justice of Mysore, as Chairman to make an enquiry into the present state of the co-operative movement in the State and report to the Government the changes which they think necessary for its better development. This is the second Committee which the Government have appointed after the inception of the movement in the State. The first Committee was appointed in the year 1920 with Sir Lallubhai Samaldas of Bombay as the Chairman and the progress of the movement in the State since that time was based mainly on the recommendations of that Committee.

* * *

At the last meeting of the United Provinces Co-operative Union, Mr. Vishnu Sahay, I.C.S., Registrar of Co-operative Societies, who presided over the meeting, referred with pleasure to the improvement which had taken place in the condition of the societies during the last year and to the hopeful outlook which they now presented. He announced that besides a grant of Rs. 63,000 for co-operative education, they were promised by the Government of India a special grant of Rs. 10,000 for developing the ghee sale societies. Cotton sale societies in Hardoi district and cane supply societies all over the Provinces were making satisfactory progress, he said.

* * *

The Krishna District Co-operative Bank, Masulipatam, has circularised its constituent societies not to accept local deposits without its approval. The Bank points out that in many cases the societies accept deposits and utilise them for issuing loans without due care, and when the time comes for returning the deposits they seek the help of the central bank. When a society applies for a loan from a central bank, the latter usually insists on being supplied particulars regarding the loans proposed to be given to members out of the applied loan. Where, however, a loan is applied for in order to repay a deposit received one or two years previously, it is obviously too late to ask for such particulars. But if the deposits are not returned in time the whole movement will lose credit. Hence the Bank has suggested a definite procedure to be followed in accepting local deposits.

* * *

The Tinnevelly District Co-operative Central Bank had at the end of the last co-operative year 715 shareholders including both individuals and societies, with a paid up share capital of Rs. 1,84,738. The total borrowings of the Bank during the year amounted to Rs. 9,70,345 which

was less than that of the previous year by Rs. 1,53,635. It disbursed loans during the year amounting to Rs. 2,26,377 and collected Rs. 2,44,238. Against a demand of Rs. 3,50,778 under principal and Rs. 38,459 under interest the balance at the end of the year amounted to Rs. 1,47,645 and Rs. 2,785 respectively. The percentage of balance under principal and interest was 42·1 and 7·2 respectively. The Bank carried Rs. 17,000 during the year to the Bad Debts Reserve which amounted at the end of the year to Rs. 51,000. The net profit of the Bank was Rs. 8,400-3-0. It is stated that the administrative section of the Bank with its Executive Officer carried on the work of supervision and rectification satisfactorily.

The Konaseema Co-operative Central Bank in East Godavari district had 181 shareholders consisting of 61 individuals and 120 societies at the end of the last co-operative year. Even though the area of operations of the Bank is very limited, it made a net profit of Rs. 18,752-4-0, and that in spite of the present depression. The Bank had a share capital of Rs. 1,75,450 at the end of the year under review. It applied to the Registrar and the Madras Provincial Co-operative Bank to permit it to refund a portion of it, as so much share capital was not necessary for the present business of the Bank. But they did not give the permission. The lendings and recoveries amounted to Rs. 3,90,472 and Rs. 4,05,306 respectively The percentage of balance to demand was 47·1 under principal and 2·7 under interest. Out of the profits earned during the year the Bank set apart a sum of Rs. 7,000 towards the reserve for bad debts, which stood at Rs. 38,000 at the end of the year.

At the end of the last co-operative year the Anantapur District Co-operative Central Bank had 135 individual shareholders and 414 society shareholders with a paid up share capital of Rs. 33,830 and Rs. 1,74,316-13-0 respectively. The total borrowings of the Bank increased from Rs. 12,82,828 at the beginning of the year to Rs. 13,17,288 at the end of the year. The Bank issued during the year loans amounting to Rs. 54,537 to individuals and Rs. 2,02,455 to societies, and recovered a sum of Rs. 2,23,422 on account of loans. Against a total demand of Rs. 10,44,221 under principal and Rs. 1,10,124 under interest, overdues amounted to Rs. 8,30,237 under principal and Rs. 28,918 under interest. The percentage of balance to demand worked out at 79 5 under principal and 26·3 under interest as against 80·4 and 16·7 at the end of the previous year. These high percentages are partly due to the famine conditions that prevailed in the district during the last two years. Exclusive of the amount carried to Bad Debt Reserve, the Bank made a net profit of Rs. 1,389-6-0 for the year under review.

The Agriculturists Relief Committee which was appointed by the Mysore Government submitted its report nearly ten months ago. Its main recommendations were: (1) the establishment of debt conciliation boards, (2) the extension of land mortgage banks, (3) a reduction in land revenue demand (4) the expansion of the co-operative movement and (5) the development of subsidiary rural industries. The Government have now passed orders on these recommendations. With regard to the scheme of debt conciliation the Government are of opinion that it may be started as an experimental measure and that the conciliated debts may be paid off by co-operative societies or land mortgage banks, and not by the State, either in cash or by issue of bonds. Regarding the reduction of land revenue the Government are prepared to give only a discriminating relief and not a general concession which is likely to result in a substantial loss of revenue to the State. As regards the starting of subsidiary industries the Government state that it is receiving the attention of the Department of Industries and that after its proposals are received by the Government, final orders will be passed. Other recommendations made by the Committee are accepted in toto.

* * *

University and Government support for the Co-operative Movement. The University of Yenching, one of the foremost in North China, is to train a body of co-operative workers for service in the work of organising and supervising co-operative societies carried out under the auspices of the International Famine Relief Commission. Mr. Yu Yung-chih, Chief of the Rural Instruction Department, has been released from his duties for one year, during which he will lecture on Co-operation at the University and help to organise the programme of training for the workers mentioned. Further support for the Co-operative Movement is afforded by the China Foundation for the Promotion of Education and Culture, which will continue last year's subsidy of $10,000 during the 1935-36 season. The subsidy will be used for the training of co-operative organisers for service in the interior. The first quarterly payment of $2,500 was made on 24th July.—(*Co-operative News Service*).

* * *

According to the law recently passed by the State Legislature of Wisconsin, U.S.A., co-operative marketing and consumers' co-operation must be taught in all State schools in Wisconsin from September 1st, 1935. The law, which was passed by the Senate of the State by fifteen votes to thirteen in August, states that co-operative marketing shall be taught in "every common school," that the State university, teachers' colleges, normal schools, and every public high school and vocational school "shall prescribe adequate and essential instruction in co-operative marketing and consumers' co-operation," and knowledge of co-operation shall be required for a certificate to teach economics, social studies or agriculture. The State Superintendent of Public Instruction, and the Dean of the College of Agriculture at the State University will prepare outlines and other text materials for guidance to teachers of these courses.

(*Producer.*)

List of Societies Registered in September last.

	Name.	District.
1.	The Kulasekharapatnam Yadava Co-op. Society.	Tinnevelly.
2.	The Cheyyar Eraiyur Co-op. Credit Society ...	North Arcot.
3.	The Tiruppathur Co-op. Crop Loan and Sale Society.	"
4.	The Arkonam Co-op. Urban Bank ...	"
5.	Moodabidri Pranthya Crop Loan & Sale Co-op. Society.	South Kanara.
6.	The Rajahmundry Co-op. Crop Loan & Sale Society.	East Godavari.

List of Societies whose Registration has been cancelled in September last.

Name of Society.	District.	Date of Cancellation.
Veeraselliapuram C. S. ...	Ramnad	31-8-35.
Poolanbadi D. C. Society ...	Trichinopoly	3-9-35.
Chattirakondan C. S. ...	Tinnevelly	
The Vagirampatti Adi Dravidas C. S. ...	Salem	
Uthukottai Co-op. Supervising Union Ltd.	Chingleput	
Nainamalai Pallipatti Chucklers' C. S. ...	Salem ·	4-9-35.
Dharmapuri Agl. Improvements C. S. Ltd.		
Laddivadi Depressed Class C. S. ...		
Harapanahalli L. C. Union ...	Bellary	
Edaipattu C. S. ...	South Arcot	5-9-35.
Muthanampalayam C. S. ...	Coimbatore	6-9-35.
Kallipatti Venkatachalapathi C. S. ...	Madura	8-9-35.
Madura Valayapatti C. S. ...	"	
Nachipalayam C. S. ...	Coimbatore	
Meloalkkur C. S. ...	South Arcot	11-9-35.
Emapalli Adi Dravidas C. S. ...	Salem	12-9-35.
Suluvai C. S. ...	Bellary	14-9-35.
Adoni Govt. Servants' C. S. Ltd. ...		16-9-35.
Adoni Co-op. Building Society Ltd ...		
The Salem District Co-op. Servants' C. S. ...	Salem ...	
Tirukoilur Board High School Students' Co-op. Stores Ltd.	South Arcot ...	17-9-35.
Punnoor Sri Radhakrishna C. S. ...	Nellore ...	
Ganeswarapet C. S. ...	Guntur ...	19-9-35.
The Walajabad Co-op. Supervising Union.	Chingleput ...	20-9-35.
Trichinopoly Dt. Co-op. Audit Union ...	Trichinopoly ...	24-9-35.
Tanalapalli C. S. ...	West Godavari.	25-9-35.
Kalakad C. S. ...	Tinnevelly ...	"
Hosur Town Co-op. Bank Ltd. ...	Salem ...	"
Tirusulam C. S. ...	Chingleput ...	26-9-35.
Vissur C. S. ...	" ...	"
Kondamangalam C. S. ...	" ...	"

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